

CHEMONICS INTERNATIONAL INC.

POLICIES TO IMPROVE COMPETITIVENESS
IN THE DOMINICAN REPUBLIC PROJECT

FINAL REPORT

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SECTION I

Introduction and Project Background

Chemonics International Inc. (CI), in concert with our participating RAISE consortium is pleased to present this final report for the *Policies to Improve Competitiveness in the Dominican Republic* project, a task order under the Rural and Agricultural Incomes with a Sustainable Environment (RAISE) Indefinite Quantity Contract. The project served as a catalyst for competitiveness initiatives in the Dominican Republic, making significant inroads into changing mindsets at all levels within the public and private sectors and making important strides in the development of realistic and bankable strategies. Below, we summarize the history, methodology, goals, and accomplishments of the DR RAISE project.

A. Origins of the Project – Why DR Competitiveness?

On June 15, 2001, under the Umbrella RAISE IQC Contract, USAID awarded a sole-sourced task order to Chemonics International for the *Policies to Improve Competitiveness in the Dominican Republic* project, better known as DR RAISE. This task order was designed to advance progress made during an earlier activity, also implemented by Chemonics, called *Competitive Strategies for the Dominican Republic*. The central objective of this predecessor program was to support various private-sector led initiatives underway in the DR, all with the goal of developing the nation's competitive capabilities and improving the standard of living for all Dominicans alike. The design and contracting of the DR RAISE project demonstrated USAID's recognition of the importance of a sincere focus on competitiveness in order to achieve long-term, sustainable economic growth. This project, with a final value of approximately \$1.37 million, would serve as a guide and nurturing force, *spurring mindset change regarding competitiveness*, thereby enabling eventual reform of key economic policies and, ultimately, a more competitive Dominican economy.

B. Design and History of the Project

Flexibility in implementation, ensuring that all activities are demand driven, and maximizing the use of limited resources are perhaps the three most critical elements which shaped the DR RAISE project. As mentioned, the project started in June 2001 with an initial base period of one year and a budget of \$696,912. Recognizing the time and resource limitations, the Chemonics International-Strategy Center (CI-SC) and USAID agreed to initially target the following four regional competitiveness initiatives during the base period:

- La Vega Regional Development Project;
- San Pedro de Macorís Regional Development Project;
- La Romana-Bayahibe Tourism Cluster Development Project; and
- Puerto Plata Tourism Cluster Development Project

These four initiatives were selected due to the initial commitment shown by the coordinating groups for each project. In addition to working with these cluster groups, the CI-SC also

dedicated time and resources towards supporting the National Competitiveness Council (NCC) as well as the Ministry of Foreign Affairs (known by its Spanish acronym, SEREX). With the exception of San Pedro de Macoris (see Section II), the cluster groups and organizations mentioned above were the key counterparts and recipients of technical assistance and training throughout the implementation of the task order.

Beginning in May 2002, USAID began the process of extending the project, first with a no-cost extension and subsequently adding additional funds. The uncertainty of actually receiving the additional funding resulted in a temporary “stall” period for the project resulting in the delayed implementation of several key activities, especially the hiring of key staff. Nonetheless, the CI-SC kept close communications with the groups during the transition period, keeping them updated regarding the situation and motivated to organize on their own. The close collaboration between Chemonics’ home office, the Strategy Center, and USAID during this transition phase served as a key factor for identifying those critical activities that would be carried out to completion through the task order extension.

Contract History – Important Dates

- *June 2001 – June 2002* – Initial Base Period
- *May 2002* – Task Order receives a no-cost extension through September 30, 2002
- *August 2002* – Task Order receives an additional \$675,000 to implement critical activities and the completion date is extended until March 31, 2003
- *March 2003* – Task Order receives a no-cost extension through May 15, 2003 to conclude critical activities.

C. Project Objectives

As mentioned above, the objective of this project and the overall implementation philosophy was to change public and private sector mindsets regarding competitiveness and key economic and social policies – leading to broad-based, rapid economic growth, wealth creation¹ and poverty reduction. This project would carry the strategic vision developed during the predecessor program forward toward fruition. To help achieve these end results the project supported a participatory strategic planning process that resulted in widely-supported competitive strategies, that in turn will lead to identification of key investment projects and the identification of policy reforms needed to ensure the long-term success of these strategies. Much of the work on the project focused on the fostering and nurturing of key strategic alliances, thus garnering wide support for an increasing Dominican competitiveness. All of the project’s activities were carried out so as to directly support USAID/DR’s Strategic Objective No. 1 (SO1): *Policies Adopted that Promote Good Governance for Sustainable Economic Growth*.

D. Summary of Achievements

In the following sections, we highlight the specific activities and accomplishments of the project. Section II discusses the methodology and achievements of each of the components and Section III summarizes conclusions, recommendations, and lessons learned.

¹ For an individual, *wealth creation* means improving or increasing his/her average income a/o the purchasing power of such income; so, it does not mean making everybody rich. In more general terms, to achieve wealth creation there must be productive development (“desarrollo productivo”); and to achieve this there is a need to generate investments (both private and public). A key goal of cluster development is to generate the investments needed for productive development needed to achieve wealth creation.

It is our hope that the DR RAISE project will serve as a guide for future development practitioners who dedicate time and money to improving competitiveness with the hope of generating economic growth.

SECTION II

Methodology and Activities

In this section, we highlight the more important activities and achievements of the project, placing them in the context of our implementation strategy. As evidenced in the following descriptions, the project has had significant success building a clear understanding and commitment to competitiveness. This foundation, constructed in collaboration with USAID, will serve as a solid, long-standing base for real economic growth as well as a role-model for future competitiveness activities.

A. Project Philosophy

Competitiveness itself is a state of mind. Strategic thinking, communication, collaboration, joint responsibility and commitment to action are key elements. Without these mindset changes, it would be difficult for any competitiveness project to succeed in the long run. The DR RAISE project, recognizing this crucial and all too often neglected fact, has made mindset change its ultimate goal. All of our activities – whether focused on strategy development, alliance building, trade capacity building or economic policy reform, have held mindset changes as the central and constant tenant.

Competitiveness Defined

Competitiveness is a state of mind. Changes in mindsets must take place among decision makers and stakeholders for them to deliver an array of products or services, work together, reform factor markets and the regulatory framework for business climate improvement.

At the micro level, the focus is on delivering value to the customer. Firms are competitive if they are a cost leader, deliver a differentiated product or service, or are able to serve niche markets.

At the macro level, competitiveness is the quality of the factors of production relative to the cost of doing business in country. This means that, to be competitive, a country needs to reform market factors and increase the quality of factors to reduce the cost of business transactions.

A1. Key Interrelated Components

This task order was originally designed with four interrelated components – 1) Regional and Product (Cluster) Competitiveness Initiatives, 2) Trade, Investment, and Financial Policy Activities, 3) Small and Micro enterprise Policy Activities, and 4) Poverty Reduction Policies and Initiatives. In line with our participatory and demand-driven philosophies, all policy initiatives identified have been the result of work in regional/product cluster development and trade capacity building – the project has intentionally not unilaterally suggested policy changes. Rather, suggested reforms have come from cluster groups and trade partners – inspiring ownership and commitment to reform. Some of the policy reforms identified include changes to the health and export laws or regulations derived from the work in the agriculture cluster project; adjustments and/or design of tourism related laws, regulations and/or decrees concerning environmental, transportation, incentives and privatization identified in tourism strategy papers; and trade reform issues identified during training workshops, especially as related to market access, fair trade practices and international arbitration.

A2. Implementation Strategy

Consistent with our initial work plan, all of our work has been highly-focused, intended to maximize the use of resources, and has demonstrated the following over-arching characteristics:

100% Commitment. The central element to our implementation strategy was our demand that all counterparts demonstrate continuous commitment to the competitiveness process. This commitment involved cluster participants dedicating substantial amounts of their own time to the process and exhibiting a willingness to accept new ideas. In addition to time commitment, counterparts were required to cover a portion of activity costs generally in the range of 25% through financial or in-kind contributions. The project did not hesitate to redirect its resources when counterparts did not demonstrate sufficient commitment to the process – such instances are described in detail below.

Counterpart-Led and Owned Activities. Equally important, the Strategy Center, as consultants, never took over the strategic planning process—we maintained a hands-off yet supportive approach. Our role was in providing strategic and timely analytical inputs to support the planning process and to convey appropriate best practices. This stance stemmed from our experience that when competitiveness strategies are developed on behalf of counterparts there is little hope for long-term success. Because we did not complete the work for counterparts, the project had to operate on others' timelines, which meant at times experiencing longer work schedules. Even so, the project maintained its hands-off, but supportive, role, thus engendering ownership among counterparts. Every aspect of the process – approval of scopes of work, selection of consultants and firms for assignments, review and approval of deliverables – was shared with and monitored by recipient groups. While this approach certainly added significant time to the process, it also ensured complete responsibility, accountability and support for the process and the result. Each strategy developed or training accomplished is completely owned and accepted by counterparts. This process of accountability through participation taught good governance and responsibility – important elements to promote social capital accumulation among each group.

Dedication to and Consistency in Methodological Framework. The project, even when asked to speed-up or change direction, never veered from its original. methodological framework, developed to guide our work. This consistency in approach has helped promote credibility among stakeholders. It also allowed the project to keep the focus of its counterpart groups, especially as various competitiveness specialists, both firms and individuals, expanded to more traditionally methodological, yet complicated, frameworks. We believe that the simplicity of the project's methodological approach was instrumental in helping client counterparts gain a much better understanding about what the nature of competitiveness is and how to engage in practical cluster development. As shown in Figure II-A, this methodological framework consisted of three phases:

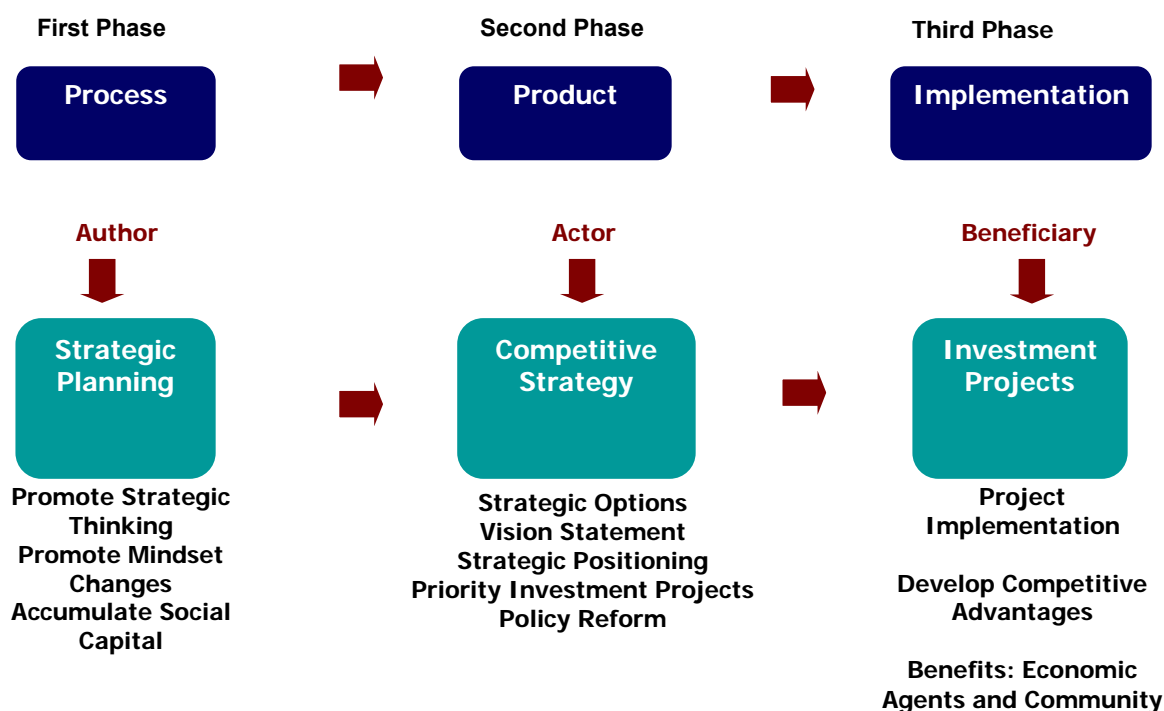
- 1) **Process**, consisting of participatory strategic planning to establish vested stakeholder constituencies; induce strategic thinking; change mindsets regarding challenges and the critical success factors to be competitive; and accumulate social capital².
- 2) **Product**, consisting of the development of a comprehensive competitive strategy. The strategy defines strategic options, a vision for the future, strategic positioning within the market involved, an action plan, and priority investment projects and policy reform initiatives. The product compiles the strategic decisions made during the process phase and serves as a roadmap to guide future actions and implementation by the cluster groups.
- 3) **Implementation**, consisting of putting into place joint actions by the cluster groups, the central government, local governments, communities, and civil society materializing priority investment projects, and having policy reform initiatives take place as identified in the strategy. Leveraging of other donor resources and programs is critical in this phase both to ensure implementation and to maximize project benefits.

By focusing primarily on Phases I and II, the project created a strong foundation thus allowing the current competitiveness project to dedicate more time and resources to Phase III-implementation.

² Social capital under the project context refers to building a cooperation and collaboration infrastructure through which social capital is accumulated to achieve the necessary partnerships that will facilitate or allow cluster development and policy reform to occur.

Figure II - A

METHODOLOGICAL FRAMEWORK



B. Regional/Product Cluster Development

The objective of this component was to provide technical assistance to private and public sector organizations undertaking participatory strategic planning processes as part of specific regional or product (cluster) competitiveness development efforts. Various regions and product groups expressed interest to USAID in beginning cluster projects before this task order began. In July 2001, the project immediately made presentations to these groups, offering project assistance and providing instructions for commencing strategic planning exercises. The development of each cluster project is described in detail below.

B1. Tourism Cluster Development

Tourism accounts for nearly \$1.5 billion in annual earnings in the Dominican Republic. A large focus of our work was concentrated in tourism development activities to various regional clusters. With few exceptions, this process has continuously progressed, generating competitiveness strategies which represent the ideas and positions of the counterpart organizations, created through their work and dedication.

B1.1 La Romana-Bayahibe Tourism Cluster Project

Soon after task order signature, the project began working closely with the Romana-Bayahibe Hotel Association, Inc. which functioned as the prime client organization in strategy development. In line with the methodological framework, the project helped to establish a leadership group or Executive Committee (EC) and began orientation sessions to set in motion the mindset change process, often including an expanded leadership group – aimed at disseminating the message of competitiveness further into the community and local government. Indeed, in order to avoid forming a “club,” the project suggested the formation of a Cluster Strategy Group (CSG), a broad-based group of cluster chain entities, stakeholders, the Government of the Dominican Republic (GODR), and business and community representatives to act as stakeholders in reviewing, commenting on and agreeing to all strategies proposed by the EC.

On February 9, 2002, the CSG and EC presented and launched the Preliminary Cluster Competitive Strategy. This strategy reflected the stakeholders’ view of the international and national tourism market situation such as limiting factors faced by the cluster group in promoting tourist development in the region, key elements to consider in sustainable development and the overall strategy focus as seen by the cluster leadership group. The objective of the exercise was to identify the stakeholders’ perception of market conditions and outline destination-product base assessment as well as allow outside consultants to measure the gap between this perception and market-product reality. This extent of this gap provided the Strategy Center with a reference point to determine the level of effort required to correct perceptions and further promote mindset changes among the cluster groups. It also set the stage in structuring the work that needed to be done and in putting together appropriate terms of reference for the consultants working on the project. During the launch session, the hotel association also presented necessary steps to support sustainable tourism such as the social and community improvement activities it had undertaken and funded to improve the surrounding environment.

In preparation for the development of the final competitiveness strategy, the EC and CSG actively participated in drafting the scope of work which was included in the request for proposals issued to select firms. Also, cluster representatives served an important role in the review of proposals and ultimate selection of the firm to develop the strategy. This joint effort made the cluster stakeholders co-responsible in defining work to be done and in selecting consultants to be subcontracted.

Between March and June of 2002, the Romana-Bayahibe (R-B), as well as the other tourism groups we were working with like the Puerto Plata (PP) and La Vega (LV) cluster groups, met to better define the destination conditions, strategy focus and the work required by consultants. All three tourism cluster groups worked with the Strategy Center in identifying qualified consulting firms or individual consultants that could work on the project. Six major firms were identified. It was decided that all three projects would be bundled into one RFP. This RFP was sent to the identified firms, covering common scopes of work for R-B and PP that required full-fledged strategy design work and specific terms of reference for LV eco-tourism project, whose needs were for developing a preliminary strategy platform before proceeding to detailed strategy formulation.

As mentioned, six leading tourism firms were identified. The RFP was sent to these firms in July 2002, with a request that proposals be sent no later than August 30th 2002. Two firms joined in one proposal; and two others submitted separate proposals, for a total of three submissions. The submission date was then extended to September 13th 2002, to allow time for answering questions raised by participant firms.

A joint Evaluation Committee was created composed of two representatives from each cluster group, one representative from the Strategy Center and one representative from Chemonics' home office. All proposals were carefully evaluated and ranked according to the set criteria. Minutes of all discussions were prepared and approved by all members on the Evaluation Committee.³ The Committee had its final meeting on October 8, 2002, and recommended that the contract be awarded to Ernst & Young/Yesawich, Pepperdine, Brown & Russell, subject to clarifying and resolving commitments on various tasks, including the number of necessary field trips to the Dominican Republic. This process was completed on October 28 2002. The final scope of work (SOW) was developed and the subcontract signed on December 6, 2002.

Work started in the field in December 2002; the destination-product base assessment was done in January of 2003; the preliminary strategy papers were distributed to cluster groups in March of 2003; a videoconference was held in March with cluster leadership groups to review the strategy; and the final strategies were presented at each destination May 6 and 7, 2003.

Each cluster group approved the strategies and decided to establish an Implementation Task Force to go over the short, medium and long-term implementation initiatives that form part of the recommended action plan. Tasks included prioritizing key actions, taking into account the most recent conditions both national and international affecting the tourism industry. The cluster groups also established a work plan covering activities that each group was going to accomplish by December 31, 2003. Each deliverable was going to be used as the basis for future work, which will be augmented and updated on an ongoing basis to reflect changes in market, regulatory or destination conditions.

The presentation of the three strategies by the project in collaboration with USAID has set the stage to work on the last phase of the methodological framework: implementation. By entering into this phase, we will begin to gain the benefits of new lessons learned that will permit to better structure and consolidate tourism projects under the new 2003-07 competitiveness project, thus creating a self-feeding learning cycle that will allow us to improve project design and implementation well before reaching the mid-point in the follow-on competitiveness project, which Chemonics, through the Strategy Center, is currently implementing.

The R-B destination is perhaps the best prepared to serve the US frequent international traveler (FIT) market and to offer higher value-added services. It must, however, deal with three challenges defining the key focus areas for initial activity of the follow on project. Internally, it must develop a strong operational partnership between the Bayahibe hotels and the Casa de Campo resort, which is well underway. It must avoid environmental degradation, including preservation of the natural and historic resources within the destination; and it will need to

³ It is interesting to note that all entities that participated gave similar rankings to the firms. Thus, the selection decision was unanimous.

integrate the communities to their strategy and master plan to preserve cultural traditions, all which are being addressed in the strategy implementation section. The Green Globe hotel certification, the work in moving to Blue Flag beach certification, and the possibility of declaring the National East Park and adjacent marine area as Patrimony of Humanity with UNESCO are steps that will help to focus on and preserve the environment and natural resources. These areas will be the focus in the new competitiveness project.

B1.2 Puerto Plata Tourism Cluster Project

Similar to the Romana-Bayahibe cluster project, the project responded to a request made to USAID by the Playa Dorada Hotel Association, Inc. (PDHA) in Puerto Plata for technical assistance in developing a competitiveness plan. Subsequently, there was a new Puerto Plata Hotel Association (PPHA) created that includes the members of the PDHA and the hotels outside of Playa Dorada. Both associations established an agreement with USAID/CI-SC to jointly carry out this cluster project. In addition, the PP Business Association (PPBA) also joined the efforts of the hotel association to work with the cluster group and together formed the EC to manage the competitiveness process. A CSG was also established to further vet decisions and goals throughout the tourism cluster in Puerto Plata.

The CSG was officially formed during the launch of the Preliminary Cluster Competitive Strategy, developed by the EC and presented on November 22, 2002. This strategy approach reflected, as in R-B, the stakeholders' view of the international and national tourism market situation; limiting factors faced by the cluster group in promoting tourist development in the region; key elements to consider in sustainable development; and the overall strategy focus as seen by the cluster leadership group. This session was originally scheduled for mid-2002, but given the internal politics of the electoral process of both associations, it was not possible to hold this broad-based event until the latter part of 2002. In the meantime, the PP cluster leadership group continued, however, to work with the SC; and, as with R-B, the PP CSG actively participated in the SOW development for the final competitiveness strategy plan, which would undertake targeted market evaluation and validation; market analysis; destination and product base assessment; identification of priority joint investment projects; policy improvement recommendations; and strategy design.

PP faces various environmental and social challenges that are not present in R-B and LV. A solid project output is identifying these challenges. Therefore, not only is there a need to improve in tourism strategies, but to secure a broad-based community support and political will to deal with these environmental and social issues.

As the same subcontractor developed the strategy papers for all three tourism cluster projects, the process described in B.1.1 above also forms an integral part of the work done in PP and the activities carried out under the project.

B1.3 La Vega Ecotourism Competitive Strategy Development

In quite a similar process to that of the Romana-Bayahibe and Puerto Plata tourism cluster activities, the La Vega Development Association (APEDEVE) functioned as the client organization for the ecotourism development project, forming a virtual ecotourism cluster group

and EC. As in Romana-Bayahibe and Puerto Plata, this EC developed a preliminary competitiveness strategy which reflected the stakeholders' view of the international and national tourism market situation; limiting factors faced by the cluster group in promoting tourist development in the La Vega region; key elements to consider in sustainable development; and the overall strategy focus of the cluster group. At the launch of this preliminary strategy on April 20, 2002, a CSG was established, just as in the other regions. Again, the EC undertook a significant role in developing the scope of work for the final competitiveness strategy as well as in evaluating and selecting the winning firm.

The La Vega cluster group showed much enthusiasm and held meetings frequently on its own, without the official participation of the Strategy Center. There are, however, natural competitive sentiments between La Vega proper and nearby areas - Jarabacoa and Constanza – all three key locations within the destination. The Strategy Center was instrumental in helping to foster a cooperative working environment and it is expected that as the cluster group moves into the implementation phase that the links between locations will be further consolidated. As a main recommendation for success identified in the analysis is to market the destination as one. One important aspect of this destination is that most actors are not large tourism enterprises, but small business units. The tourism resources are located in areas in which there are no significant alternative means of sustenance, thus, the strategy's success will help reduce poverty for the communities involved.

As previously mentioned, the same subcontractor developed the strategy papers for all three tourism cluster projects, the process described in B.1.1 above also forms an integral part of the work done in La Vega and the activities carried out under the project.

B1.4 San Pedro de Macorís and Santo Domingo

A fundamental principle of our implementation approach to this project, as stated previously, is that the program would only *help those that help themselves*. Early in the project we established minimum targets and milestones that partner organizations must meet before project resources would be used. The project responded to San Pedro de Macorís' (SPM) request for assistance, conducting at least twelve meetings with the leadership group and organizing two major events, during which the methodological framework was presented so as to reach consensus. Contrary to the willingness of other cluster groups to contribute both financial and time resources to the competitiveness process, the SPM group wanted USAID to pay for all necessary costs, including staff costs, for the program to move forward. While the project certainly realized and understood that many cluster groups were not able to make large financial contributions, we did ask for them to make a true effort to contribute as an indication of their commitment to the process.

Unfortunately, in the case of SPM, the project did not find this willingness to be the case, but rather was confronted with a consistent insistence that USAID cover all requisite costs. Simply stated, in the end, the SPM cluster did not meet any of the established milestones nor did they comply with the targets and agreements established in the preliminary work plans. The project therefore decided to put on hold the SPM initiative and to dedicate limited project resources elsewhere, where they would surely lead to better results. If tangible actions are taken by SPM and commitment is shown, this initiative could then become part of the new USAID competitiveness project.

B2. La Vega Fruit and Vegetable Cluster Development

Similar to the process with the above tourism cluster projects, the project began working with the Development Association (APEDEVE) and the Association of Oriental Vegetable Exporters (ADEXVO) in La Vega. The exporter association was selected as the coordinating entity and a cluster coordinator was designated for the fruits and vegetables cluster project. Working with the established leadership group, or EC, the project began the process of mindset change. To build momentum, this dedicated EC organized and sponsored various field visits to production areas and export treatment facilities. In one such important trip, various leaders of hotel purchasing departments as well as association directors were invited to view and taste the fruits as well as try cooked samples of locally produced vegetables. This produce was sampled to demonstrate its high nutritional value – an important step in marketing to tourists the benefits of locally produced fresh fruits and vegetables.

On April 4, 2002, the leadership group then undertook the process of developing the preliminary competitive strategy and presented it to a broad-based target audience, including government agencies, business and sector associations, international organizations, community institutions and individuals, as well as NGO's. Presentations were made by the cluster leadership on market trends and opportunities; factors limiting the competitiveness of production chain of products exported; and the strategic vision of the cluster for future development. At the end of the launch session, the cluster established a CSG, involving community leaders, to serve as general body for strategy evaluation and to ensure long-term strategy acceptance and implementation commitment.

In preparation for the strategy work and the subcontracting of consultants, the leadership group began holding strategic planning sessions to identify selected targeted export products that could be the focus of the specialized market analysis and long-term competitiveness strategy. At the same time, it began discussing issues relevant to the strategy design, especially market, product, and policy elements common to all selected products, specific and business-applicable strategy recommendations for products selected; and what could be elements of an action plan for export promotion of targeted products.

The leadership group took an active role in developing the scope of work for this long-term competitiveness strategy and was instrumental in choosing the lead consultant to carry out the work. The Consultant was hired in September of 2002 expecting to complete the work on January of 2003. During this time he undertook field trips to the Dominican Republic, Honduras, and to New York and Toronto. However, due to unanticipated health problems there was a delay in production of deliverables, and it was necessary to replace the consultant in order to effectively complete the assignment in a timely manner.

A new consultant was hired and she met with the original consultant in Florida in early March 2003 to complete a transition process, and subsequently undertook field trips to the Dominican Republic in April and May of 2003 to complete the strategy design work. The draft strategy was presented to the cluster group on May 1st 2003, and was approved. All comments and other input were integrated in a final strategy document and action plan in mid-May 2003.

In approving the strategy, the cluster group agreed to establish, as in the tourism cluster projects, an Implementation Task Force. This task included prioritizing activities by taking into account the most recent changes in the sector both national and international. A work plan was established covering activities to be accomplished by each group by December 31, 2003. As stated before, each deliverable is being used as the basis for future work, which will be augmented and updated on an ongoing basis to reflect changes in market, regulatory or production-export conditions.

With the presentation of this strategy CI-SC and USAID have set the stage to work on the last phase of the methodological framework: implementation. At the same time, by entering into this phase, we will begin to gain the benefits of new lessons learned that will permit us to better structure and consolidate agriculture projects under the new 2003-07 competitiveness project, thus creating a self-feeding learning cycle that will allow us to improve project design and implementation well before reaching the mid-point in overall project implementation.

During implementation three key workshops will be designed as follow up or to support the trade or policy barriers, as identified in the strategy⁴; best practices⁵; and financing to leverage resources. The same type of workshops will also be held for the tourism projects.

C. Trade Capacity Building

A key area of assistance specified in the scope of work for this task order called for a focus on trade capacity building in preparation for participation in the Free Trade Agreement of the Americas (FTAA). To effectively participate in the FTAA or any other international trade agreement, a country must have a clear negotiation strategy, requiring cooperation and consensus among interested parties, as well as solid skills to be put to use at the negotiation table. Indeed, without each of these components – cooperation as well as capacity building – success in international trade remains elusive. The project therefore focused attention in both arenas in order to foster sustainable improvements in trade capacity.

C1. Coordination and Consensus Building

As a first important step in the process, the project conducted a needs assessment of its two main trade counterparts – the National Commission for Trade Negotiation (NCTN) and the Ministry of Foreign Affairs (MFA or SEREX). This assessment focused on identifying the specific requirements related to policy assistance, training, impact studies, and promotion and dissemination. To ensure that all needs

Trade Capacity Building Workshops: Participant Profiles

International Trade Negotiation Skills

Public Sector Officials: 28
Private Sector Officials: 5
Public Sector Observers: 3
Total: 36

Market Access Workshop

Public Sector Officials: 18
Private Sector Officials: 9
Total: 27

Impact and Evaluation Methodology Workshop

Public Sector Officials: 20
Private Sector Officials: 9
Total: 29*

*Only 25 participated full-time.

⁴ This reflects the bottom-up approach to policy reform identification and the linking of policy reform with committed stakeholders.

⁵ A key element that will be addressed with pilot initiatives under the new project and that should be a positive impact in increasing productivity and competitiveness.

were considered, members of the counterpart agencies, NCTN and SEREX, were interviewed, as well as private sector representatives actively involved in the Civil Society Commission of the Trade Commission. To ensure that donor efforts were not duplicated, meetings were also held with various international organizations already providing or contemplating providing technical assistance to SEREX or the NCTN. Other international donors also used this assessment when developing and considering trade capacity building (TCB) activities.

C2. Workshops and Training

The project implemented three highly successful training sessions designed to deliver specialized courses in trade negotiations, market access, and impact evaluation methodologies. The Florida International University's (FIU) Summit of the Americas Center, subcontracted by Chemonics, designed and delivered all three courses, with excellent results. The first course, a condensed and customized version of FIU's intensive International Trade Negotiation Skills Course, was given in Bayahibe (East Zone) over a 7-day period in March 2002. During a total of 60 course hours, participants were exposed to theoretical and conceptual orientation to the negotiation context and an analysis of the current state of FTAA negotiations. Perhaps most importantly, the participants were involved in over 36 hours of simulated negotiations based on an actual case concerning MERCOSUR nations- pharmaceutical registries. This hands-on, real-life training was well received by all participants and SEREX, acting as the official training counterpart.

To follow this first workshop, the project negotiated the development of two subsequent trainings, also implemented by FIU. With the objective of improving the practical negotiation abilities of official trade negotiators as well as to introduce certain private sector advisors to the GODR team within the context of trade negotiation, the second course given was "Market Access Workshop" (MAW). This workshop concentrated on the negotiation process under the FTAA and the World Trade Organization (WTO) as well as other trade agreements. Similar to the first course, there were over 50 total hours of instruction and 30 hours were dedicated to simulated negotiations. Once participants overcame initial hesitance, their active participation made the MAW a success. However, despite this success, many key actors in the negotiation process were not able to attend the course, despite the early invitations, due to other official commitments. Therefore, not all of the targeted audience was able to attend.

The third and final workshop was entitled "Impact and Evaluation Methodology Workshop" (IEW) and was intended to equip participants with the analytical and practical skills required to declare sensitive and priority products within a free trade negotiations context. Again, the 60-hour workshop combined both instruction regarding issues and methodologies for assessing alternatives in the negotiation context (for example, analyzing the impacts of different trade negotiation strategies for the DR) as well as simulated negotiations, focused on real scenarios facing the DR. Although attendance was good, again, some key actors were once again unable to attend this workshop, especially from the private sector which was an important targeted audience segment. For the future, mechanisms need to be established to ensure the presence of all essential actors.

In a letter to USAID, the Ministry of Foreign Affairs (SEREX) indicated their satisfaction with the quality of course content and the fact that they were able to train a broad base nucleus of trade officers and staff. One of the fundamental premises for holding courses in the country was

to maximize attendance, and thus returns, on the number of people trained. In the past, only a few were able to attend courses abroad without the benefit of those trained providing in turn training to others. Nonetheless, it is important to ensure, as mentioned, that some key actors also attend.

SECTION III

Conclusions, Lessons Learned, Recommendations

Throughout the life of the DR RAISE task order USAID, Strategy Center staff, as well as Chemonics home office staff continuously analyzed project successes as well as difficulties in an effort to improve performance through lessons learned. The first lesson learned was that while flexibility and nimbleness may be essential traits in any development project, they are especially necessary for competitiveness initiatives where intangible, cultural, and market factors can impact quickly on programs. Analysis of “lessons learned” cannot be an end-of-project task, but rather an ongoing assessment and modification of project initiatives. In this section, we portray key lessons learned and corresponding suggestions for future activities.

A. Technical Assistance

While project technical activities were largely successful, prompting the adaptation of robust competitiveness strategies as well as stimulating real and lasting mindset change, it is essential to review project practices and refine them on a continuing basis. The following are key technical lessons learned and suggested improvements.

A1. Methodological Framework

As explained in Section II, the methodological framework which guided project activities during this task order included three distinct phases – process, product, and implementation. Upon review, two additional phases are recommended to ensure widespread commitment and necessary funding to support necessary changes. These phases – strategy socialization and leverage point formation – link the product and implementation phases to guarantee successful execution.

Strategy socialization. In order to ensure buy-in from the entire community impacted by the competitiveness strategy, including the private sector, local government and civil society, it is essential that the strategy is disseminated as widely as possible through an effective and highly targeted interaction with these audiences, supported by a focused marketing communications campaign. The end goal of this process would be the creation of a critical mass dedicated to realizing the potential of the implementation phase. Local government is an exceptionally important target of this campaign as they are responsible for the policy and regulatory environment impacting the strategy as well as dedicating public funds to support investment projects. The strategy socialization process is viewed as taking place in conjunction and/or immediately after the cluster implementation task forces prioritize activities and agree on their immediate action plan to implement the strategy. There needs to be a link with the implementation process to ensure that interaction with and the focused promotion campaign to targeted audience is supported with tangible actions that need to be taken.

Leverage point formation. Related to the strategy implementation and socialization phases, it is crucial that the project focuses special attention to securing necessary financial support for materializing both pre-investment and investment projects that form part of the strategy action

plan. Assisting cluster groups to secure funding is an essential step in the process for two main reasons - USAID does not have the funding capabilities to fully support all necessary projects and full financial support through USAID would not serve the long-term interests of the cluster groups, i.e., sustainability and independence. Strategic relationships must be formed with the central government, the private sector, the communities, civil society groups, local governments and the international donor community, in a highly collaborative process with the cluster groups, in order to secure funds and support. The funding workshops are intended to put forward to the donor and financing community specific public, mixed, and/or private projects requiring pre-investment or investment funding. The advantage is that by having these projects linked to a consensus strategy it would show that individual initiatives respond to a structured, integrated and business plan framework with greater chances for achieving success.

A2. Ongoing Mindset Change

When originally designed, this project's methodological framework assumed that mindset change occurred during the process phase and was firmly established thereafter. It has been apparent throughout the implementation of strategy formation with the cluster groups that mindset change is an on-going, continuous process that needs to be nurtured during every step of the competitiveness process. While the Strategy Center staff realized this need and adapted their practices to seek continuous reinforcement of and commitment to the competitiveness process, it is important that future activities formally incorporate mindset change throughout every stage of strategy development and implementation, recognizing that each phase brings new challenges thus requiring new, augmented, or different types of mindset changes.

A3. Marketing Communications Campaigns

Integral both to the strategy socialization and leverage point formation phases, described above, is the need for a focused marketing communications campaign to disseminate project accomplishments as well as messages necessary to ensure buy-in and continued commitment. Although a marketing communications campaign was not a formal component of this task order, the Strategy Center assisted the National Competitiveness Council (NCC) to produce a successful video depicting the La Vega Fruits and Vegetables and the Romana-Bayahibe Tourism Cluster Projects. Both videos were funded solely by the NCC. The videos have proven to be effective in reaching the general public and the private sector in particular, as well as other groups, spreading the message of the cluster and competitiveness processes. This type of dissemination should be replicated and refined in future work as it has a high return in garnering interest across a wide spectrum.

B. Project and Contract Management

One key to the DR RAISE task order's success was effective administration and management. Below, we highlight some of the very important lessons learned.

B1. Ongoing Self Evaluation

Because of the fast pace of lessons learned, as previously mentioned, we have found it important to establish a fast response feedback loop mechanism to make timely adjustments, similar to

performance monitoring systems, so that continuous refinement of procedures could be made to improve technical assistance delivery. Such a mechanism should be built into reporting systems and as part of project management responsibilities of future projects.

B2. Project Staff

Strategy Center Staff. Perhaps the most important lesson learned during the implementation of this task order is that, in order to achieve maximum results, it is essential to have a fully-staffed Strategy Center with high-level technical consultants, available on a full time basis to serve the needs of cluster groups and to provide hands-on consulting or advisory services. Without this full-time capability, momentum gained in various stages of the competitiveness process is sometimes slowed as cluster groups wait for short-term visits by specialists. Technical experts, too, acquire significant advantages by being present on a full-time basis – by being present over the long-term they gain the in-depth, detailed knowledge necessary to respond to the project environment, especially the cultural aspects that greatly impact implementation. These experts are also able to develop sound relationships with all actors in each cluster group and develop the trust that is so important to keep the process going. The higher cost of staffing long-term experts is balanced by the much higher return on investment in level of effort as well as the reduced need for more expensive, short-term visits.

Demand-driven short-term team members. Another important lesson related to the staffing of the project is that there is a great need to establish a flexible hiring structure for specialized services, often only available through subcontract. As future projects continue to direct project resources in line with demand, they must have the flexibility and funding to do so. In setting aside funds available for subcontract of services and short-term technical assistance, future projects would free themselves to respond quickly and effectively, ensuring that needs and demands are met. Also, we have found that by having these high-level capabilities in-house, short-term services can be concentrated to work on the in-depth specialized needs of client organizations, thus ensuring greater impact of the technical assistance provided.

B3. Project Management

Similar to the flexibility and rapid response a demand-driven funding source would furnish future projects, decentralizing certain aspects of project management and placing them within the scope of the Strategy Center would also enable the project to operate more efficiently. It would be beneficial, for future and especially larger projects, to staff at least one long-term leader to oversee decentralized project management. Areas of management which could be allocated to the local office include: performance monitoring, financial and technical reporting, staff management and communications.

B4. Project Funding

Competitiveness is a process that takes time – mindset changes do not happen overnight. In the project's approach, it is a long-term commitment which requires constant interaction with counterparts and cluster groups. Gaps between anticipated funding and actual receipt of funding under the project presented a challenge for planning project implementation, especially bringing on board necessary staff for the Strategy Center. Based on the Strategy Center's approach to

implementation, resources were not committed to activities without the assurance of being able to bring each intervention to a successful conclusion (i.e. it is better not to start the project at all than to leave it unfinished). Of course, the gaps may often be beyond the control of all directly related parties, including USAID/DR. Nonetheless, they carry a price which can only be minimized with adroit project management. Continuation of many cluster activities during this period of uncertainty was a major accomplishment.

C. Final Thoughts

In conclusion, despite some of the tough lessons we learned, the entire DR RAISE team, including Chemonics consortium members, is extremely pleased with the results achieved on this project. Competitiveness is now a goal that permeates Dominican culture – both within the public and private spheres. The prior and current Presidents of the country have mentioned the importance of clusters and increasing competitiveness; Ministers, other public officials and private sector leaders have incorporated clusters as part of their discussion on competitiveness; new prospects and community leaders have used the term clusters as though it was part of their normal working vocabulary, and the press has echoed the cluster model. Although some may not understand the full meaning of competitiveness and cluster development, they are now accepted terms of the competitiveness and productive development discussion, which will make facilitate better understanding as stakeholders get more information and exposure in this area.

The project has achieved solid mindset change which will pave the way for further changes and progress. To do so, our team worked with tireless dedication and commitment. We are very proud of the DR RAISE project and hope that its tools, methodologies, models and lessons learned will be used by other development practitioners as they seek to promote competitiveness in other areas.

Our success would not have been possible without the contribution of our local counterparts and our USAID project officers. Together, we were able to bring about changes in the attitude, philosophy, and business thinking of many Dominicans. We sincerely believe these changes will yield a positive return for years to come.

ANNEX A

Resource Allocation Summary

This Annex serves to provide an estimate of the resources allocated to the major activities carried out through the DR RAISE task order. As mentioned in previous sections, the work carried out through the task order has been highly focused, demand driven, and intended to maximize the use of resources. A central element of our implementation strategy was our demand that all counterparts demonstrate continuous commitment to the competitiveness process. Those counterparts committed to the process gave of their time to help develop scopes of work and strategies for their cluster groups. In many cases, the counterparts facilitated the delivery of technical assistance by providing lodging and transportation (especially in the case of the tourism strategy development process).

The table immediately below provides a general summary of the allocation of project resources across the major activities. A more detailed breakdown of the costs is provided further below.

Activity	Estimated Cost
1. Tourism Cluster Development Project	
A. La Romana-Bayahibe Tourism Strategy Development	\$145,289
B. Puerto Plata Tourism Strategy Development	\$132,757
C. La Vega Tourism Strategy Development	\$74,252
D. Tourism –Short-Term Technical Assistance	\$1,400
<i>Subtotal, Tourism Cluster Development Project</i>	<i>\$353,698</i>
2. La Vega Fruit & Vegetable Cluster Project (Strategy Dev.)	\$231,450
3. Trade Capacity Building (Assistance to SEREX)	\$376,885
4. National Competitive Enhancement (Support to NCC)	\$73,603
5. Regional Coffee Conference (Guatemala)	\$8,375
6. Strategy Center Operation Costs	\$267,773
7. Chemonics Home Office Staff Assistance	\$13,054
8. General & Administrative Rate (Total on ODCs)	\$30,892
Grand Total	\$1,355,731

Following please find a more detailed breakdown of the DR RAISE resource allocation throughout the implementation of the task order.

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		Unit	Rate	Total	Counter Part Contribution Financial	In-Kind
I.	Tourism Cluster Development Project					
	A. La Romana-Bayahibe Tourism Strategy Development					Transportation Lodging Cluster Group Time
	Subcontractor Costs (Ernst & Young)	40.00%	\$225,000	\$90,000		
	Salary Costs (FULLY BURDENED)					
	Project Director, A. Rodriguez	15.00%	\$360,049	\$54,007		
	Economist, D. Lora	0.00%	\$68,233	\$0		
	Strategic Planning Specialist, J.C. Russo	15.00%	\$8,547	\$1,282		
	Development Specialist, J.H. Lopez	0.00%	\$23,433	\$0		
	Development Specialist, R. Capellan	0.00%	\$58,129	\$0		
	Logistical Support to Ag Activity, J.H. Lopez	0.00%	\$14,053	\$0		
	Travel, Transportation, & Per Diem	0.00%	\$34,626	\$0		
	Total, La Romana-Bayahibe Tourism Strategy Development			\$145,289		
	B. Puerto Plata Tourism Strategy Development					Transportation Lodging Cluster Group Time
	Subcontractor Costs (Ernst & Young)	35.00%	\$225,000	\$78,750		
	Salary Costs (FULLY BURDENED)					
	Project Director, A. Rodriguez	15.00%	\$360,049	\$54,007		
	Economist, D. Lora	0.00%	\$68,233	\$0		
	Strategic Planning Specialist, J.C. Russo	0.00%	\$8,547	\$0		
	Development Specialist, J.H. Lopez	0.00%	\$23,433	\$0		
	Development Specialist, R. Capellan	0.00%	\$58,129	\$0		
	Logistical Support to Ag Activity, J.H. Lopez	0.00%	\$14,053	\$0		
	Travel, Transportation, & Per Diem	0.00%	\$34,626	\$0		
	Total, Puerto Plata Tourism Strategy Development			\$132,757		

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		Unit	Rate	Total	Counter Part Contribution	
					Financial	In-Kind
C. La Vega Tourism Strategy Development	Subcontractor Costs (Ernst & Young)	25.00%	\$225,000	\$56,250		Transportation Lodging Cluster Group Time
	Salary Costs (FULLY BURDENED)					
	Project Director, A. Rodriguez	5.00%	\$360,049	\$18,002		
	Economist, D. Lora	0.00%	\$68,233	\$0		
	Strategic Planning Specialist, J.C. Russo	0.00%	\$8,547	\$0		
	Development Specialist, J.H. Lopez	0.00%	\$23,433	\$0		
	Development Specialist, R. Capellan	0.00%	\$58,129	\$0		
	Logistical Support to Ag Activity, J.H. Lopez	0.00%	\$14,053	\$0		
	Travel, Transportation, & Per Diem	0.00%	\$34,626	\$0		
	Total, La Vega Tourism Strategy Development			\$74,252		
D. Tourism - Short-Term Technical Assistance	Tourism Specialist, D. Hawkins	1.00	\$862	\$862		
	Tourism Specialist, K. Lamoureux	2.00	\$269	\$538		
	Total, Tourism - Short-Term Technical Assistance	3.00		\$1,400		
II. La Vega Fruit & Vegetable Cluster Project (Strategy Dev.)	Salary Costs (FULLY BURDENED)					Cluster Group Time
	Agribusiness Specialist, J. Gomez (Rate 1)	42.62	\$880	\$37,506		
	Agribusiness Specialist, J. Gomez (Rate 2)	14.00	\$914	\$12,796		
	Agribusiness Specialist, M. Krigsvold	54.56	\$914	\$49,868		
	Agribusiness Specialist, R. Frohmader	3.00	\$914	\$2,742		
	Project Director, A. Rodriguez	20.00%	\$360,049	\$72,010		
	Economist, D. Lora	0.00%	\$68,233	\$0		
	Strategic Planning Specialist, J.C. Russo	0.00%	\$8,547	\$0		
	Development Specialist, J.H. Lopez	75.00%	\$23,433	\$17,575		
	Development Specialist, R. Capellan	0.00%	\$58,129	\$0		
	Logistical Support to Ag Activity, J.H. Lopez	100.00%	\$14,053	\$14,053		
	Travel, Transportation, & Per Diem	70.00%	\$34,626	\$24,239		
	Other Direct Costs (Associated with J Gomez)			\$663		
	Total, La Vega Fruit & Vegetable Cluster Project			\$231,450		

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		Unit	Rate	Total	Counter Part Contribution	
					Financial	In-Kind
III.	Trade Capacity Building (Assistance to SEREX)					
	International Trade Negotiations Skills Course (FIU Subcontract)	1	\$68,247	\$68,247	Private Sector: \$3,014 for lodging; GODR: \$17,965 for lodging, transportation, and other costs	
	Workshop on Market Access in the Free Trade of the America (FIU Subcontract)	1	\$60,593	\$60,593	GODR: Covered ODC's such as - location for event, sound system, reproduction costs, coffee breaks, preparing course material.	
	Workshop on Impact Analysis of Trade Agreements for the DR (FIU Subcontract)	1	\$72,680	\$72,680	Private Sector: Lodging; GODR: Lodging, transportation, and ODCs.	
	Salaries (FULLY BURDENED)					
	Project Director, A. Rodriguez	20.00%	\$360,049	\$72,010		
	Economist, D. Lora	80.00%	\$68,233	\$54,586		
	Strategic Planning Specialist, J.C. Russo	20.00%	\$8,547	\$1,709		
	Development Specialist, J.H. Lopez	0.00%	\$23,433	\$0		
	Development Specialist, R. Capellan	75.00%	\$58,129	\$43,597		
	Logistical Support to Ag Activity, J.H. Lopez	0.00%	\$14,053	\$0		
	Travel, Transportation, & Per Diem	10.00%	\$34,626	\$3,463		
	Total, Trade Capacity Building (Assistance to SEREX)			\$376,885		

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		Unit	Rate	Total	Counter Part Contribution Financial	In-Kind
IV.	National Competitive Enhancement (Support to NCC)					
	Salaries (FULLY BURDENED)					
	Project Director, A. Rodriguez	15.00%	\$360,049	\$54,007		
	Economist, D. Lora	10.00%	\$68,233	\$6,823		
	Strategic Planning Specialist, J.C. Russo	20.00%	\$8,547	\$1,709		
	Development Specialist, J.H. Lopez	10.00%	\$23,433	\$2,343		
	Development Specialist, R. Capellan	15.00%	\$58,129	\$8,719		
	Logistical Support to Ag Activity, J.H. Lopez	0.00%	\$14,053	\$0		
	Travel, Transportation, & Per Diem	0.00%	\$34,626	\$0		
	Total, National Competitive Enhancement (Support to NCC)			\$73,603		
V.	Regional Coffee Conference (Guatemala)			\$8,375		
	Two Participants Sent from the Dominican Republic					
	Total, Regional Coffee Conference (Guatemala)			\$8,375		
VI.	Strategy Center Operation Costs					
	Salaries (FULLY BURDENED)					
	Project Director, A. Rodriguez	10.00%	\$360,049	\$36,005		
	Economist, D. Lora	10.00%	\$68,233	\$6,823		
	Strategic Planning Specialist, J.C. Russo	45.00%	\$8,547	\$3,846		
	Development Specialist, J.H. Lopez	15.00%	\$23,433	\$3,515		
	Development Specialist, R. Capellan	10.00%	\$58,129	\$5,813		
	Logistical Support to Ag Activity, J.H. Lopez	0.00%	\$14,053	\$0		
	Local Administrative Support Salaries			\$33,700		
	Fringe Benefits for Local Staff (Including Technical Staff)			\$26,810		
	Office Rent & Utilities			\$86,582		
	Communications (Includes home office communications)			\$17,103		
	Equipment & Freight			\$29,039		
	Other Direct Costs (IT Support, Technical Materials, Expendable Supp, Meetings)			\$15,608		
	Other Costs/Exchange Rate Adjustments			(\$534)		
	Travel, Transportation, & Per Diem	10.00%	\$34,626	\$3,463		
	Total, Strategy Center Operation Costs			\$267,773		

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		Unit	Rate	Total	Counter Part Contribution	
					Financial	In-Kind
VII.	Chemonics Home Office Staff Assistance					
	Senior Vice President, S. Mudge	4.00	\$920	\$3,680		
	Project Manager, C. Hanewall	6.00	\$300	\$1,800		
	Project Manager, C. Kolar	1.75	\$312	\$546		
	Project Administrator, N. Manson	9.00	\$251	\$2,259		
	Procurement Specialist, M. Weisberg (Rate 1)	2.00	\$251	\$502		
	Procurement Specialist, M. Weisberg (Rate 2)	0.28	\$261	\$73		
	Publications Specialist, M. Fisher	1.09	\$671	\$731		
	Travel, Transportation & Per Diem	10.00%	\$34,626	\$3,463		
	Total, Chemonics Home Office Staff Assistance	24.12		\$13,054		
VIII.	General & Administrative Rate (Total on ODCs)			\$30,892		
	GRAND TOTAL			\$1,355,731		